

IFRS 9 *Financial Instruments* (June 2017)

Centrally cleared client derivatives

Some jurisdictions mandate the clearing of particular derivative products through a central clearing counterparty (CCP). To clear through a CCP, an entity must be a clearing member (sometimes referred to as a 'clearing broker'). The types of products required to be cleared, and the surrounding legal framework, vary across jurisdictions.

The Committee received a request to clarify the accounting for centrally cleared client derivative contracts from the perspective of the clearing member.

The Committee concluded that the clearing member first applies the requirements for financial instruments. More specifically, the Committee observed that:

- a. if the transaction(s) results in contracts that are within the scope of IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement*), then the clearing member applies the recognition requirements in paragraph 3.1.1 of IFRS 9 (paragraph 14 of IAS 39) to those contracts. The clearing member presents assets and liabilities separately applying IFRS 9 (or IAS 39) in the statement of financial position, unless net presentation is required pursuant to the offsetting requirements in paragraph 42 of IAS 32.
- b. if the transaction(s) is not within the scope of IFRS 9 (IAS 39) and another IFRS Standard does not specifically apply, only then would the clearing member apply the hierarchy in paragraphs 10–12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to determine an appropriate accounting policy for the transaction(s).

The Committee concluded that the principles and requirements in IFRS Standards provide an adequate basis for a clearing member to account for centrally cleared client derivative contracts. Consequently, the Committee decided not to add this matter to its standard-setting agenda.